

# Frequently Asked Questions

## **1. What are the Tax Deductions for Commercial Buildings according to the Federal Guidelines:**

A tax deduction of up to \$1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These tax deductions are available for systems "placed in service" from January 1, 2006 through December 31, 2013.

## **2. Will there be inspections of buildings to determine compliance? Who will do them?**

IRS Notice 2006-52 requires inspectors to be engineers licensed in the jurisdictions where the building is sited. Inspections must meet guidelines of the National Renewable Engineering Laboratory.

## **3. Do public buildings qualify for this tax deduction?**

For energy-efficient commercial building property expenditures made by a public entity, such as public schools, the IRS issued further guidance on March 12, 2008 that allows the deduction to be allocated to the person primarily responsible for designing/building the property in lieu of the public entity.

## **4. Are partial deductions allowed for building subsystems instead of a whole building deduction?**

In the case of a building that does not meet the whole building requirement of a 50 percent energy savings, a partial deduction is allowed with respect to each separate building system that comprises energy-efficient property and which is certified by a qualified professional as meeting or exceeding the applicable system savings targets established by the Secretary of the Treasury.

The applicable system savings targets to be established by the secretary are those that would result in a total annual energy savings of 50 percent for the whole building, if each of the separate systems met the system target; note that the maximum allowable deduction is \$0.60 per square foot. The separate building systems are the:

- Interior lighting system;
- Heating, cooling, ventilation, and hot water systems; and Building envelope.

## **5. Does the accelerated tax deduction cover the complete cost of the materials, including installation labor, or does it only include the cost of purchasing the equipment? What are the components of the "cost" that can be written off?**

It includes anything that can be capitalized, including labor.

## **6. What types of buildings can apply for these incentives?**

The Incentives apply not only to new construction projects but are also available for energy efficiency retrofits as well.